

AUDITED FINANCIAL STATEMENTS

SILVER GROVE SCHOOL DISTRICT

SILVER GROVE, KENTUCKY

JUNE 30, 2009

SILVER GROVE SCHOOL DISTRICT

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SILVER GROVE SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Silver Grove Board of Education  
Silver Grove, Kentucky

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining information of the Silver Grove School District as of June 30, 2009 and for the year then ended, as listed in the accompanying table of contents. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Audit Requirements*, *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Due to the nature of the revenues of the Activity Funds, it was not practical to satisfy myself with respect to such revenues beyond the amounts recorded as received.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In my opinion, except for the effect if any, of the matter discussed in the third paragraph, the financial statements present fairly, in all material respects, the financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Silver Grove School District as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated October 23, 2009, on my consideration of Silver Grove School District's internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards contained on page 48 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Additionally, the data contained on pages 40 through 47 and pages 49 through 52 is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of management and the Kentucky Department of Education. However, this report is a matter of public record and its distribution is not limited.



Cincinnati, Ohio  
October 23, 2009

SILVER GROVE INDEPENDENT PUBLIC SCHOOL DISTRICT - SILVER GROVE/KY  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2009**

As management of the Silver Grove Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

The beginning cash balance for the District was \$831,368, an increase from fiscal year 2008.

The district remains committed to increasing starting teacher salaries to follow the trends in the state and to stay competitive with local districts.

The General Fund had \$2,335,585 in revenue, which primarily consisted of the state program (SEEK), local property, and motor vehicle tax revenue. Excluding inter-fund transfers, there were \$2,481,109 in General Fund expenditures.

Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. Our current bond, issued in 1992, has a current debt value of \$40,000 and will complete in November, 2012. Our current bond, issued in 2004, has a current debt value of \$1,125,000 and will complete in May, 2024.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8-9 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-39 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by 2.426 million as of June 30, 2009.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding.

The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

#### **Net Assets for the period ending June 30, 2009**

<b>Assets</b>	
Current Assets	\$ 1,086,622
Non-current Assets	2,795,044
<b>Total Assets</b>	<u>\$ 3,881,666</u>
<b>Liabilities</b>	
Current Liabilities	\$ 303,075
Non-current Liabilities	1,152,593
<b>Total Liabilities</b>	1,455,668
<b>Net Assets</b>	
Investment in capital assets (net of debt)	1,574,953
Restricted	5,029
Unreserved Fund Balance	846,016
<b>Total Net Assets</b>	<u>\$ 2,425,998</u>

#### **Comments on Budget Comparisons**

The District's total revenues for the fiscal year ended June 30, 2009, net of interfund transfers, were \$2,923,692.

The total cost of all programs and services was \$2,951,456 net of debt service.

General fund budget expenditures to actual varied significantly in instruction. When contributions for/on behalf are adjusted, expenditures were \$96,646 under budget.



The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2009.

<b>Revenues:</b>	
Local revenue sources	\$ 1,053,879
State revenue sources	1,249,336
Federal Revenue	183,721
Contributions on behalf	436,756
<b>Total revenues</b>	<b>2,923,692</b>
<b>Expenses:</b>	
Instruction	1,732,840
Student Support Services	119,377
Instructional Support	187,251
District Administration	325,847
School Administration	236,154
Business Support	-0-
Plant Operations	223,592
Student Transportation	53,306
School Lunchroom	11,989
Community Support	51,614
Facilities Acquisition & Construction	-0-
Debt Service	110,615
Capitalized Lease Obligation	9,486
<b>Total expenses</b>	<b>3,062,071</b>
Expenses in Excess of Revenues	<u>\$ (138,379)</u>

#### **General Fund Revenue**

The majority of revenue was derived from state funding (41.5%) with local taxes making up (36.6%) of total revenue.

#### **School Allocation**

Regular Instruction accounts for 60.9% of the school level expenditures.

#### **Other Allocations**

Central support services expenditures were Transportation 2.1%, and Maintenance & Operations 8.7%.

## **BUDGETARY IMPLICATIONS FOR FISCAL YEAR 2009 - 2010**

In Kentucky, the public school fiscal year is July 1 - June 30; other programs, i.e. certain federal programs operate on a different fiscal calendar, but are reflected in the district's overall budget.

By statute, the budget must have a minimum 2% contingency. The district adopted a 2009-10 Working Budget with \$88,827 in contingency (2.9%). The beginning cash balance for the 2009-10 fiscal year is \$665,972. Significant Board actions that impact the 2009-10 fiscal year finances include: continuation of a 401K match program for our employees (up to 1% of gross pay), review of a potential sick leave buy-out program for our classified employees, and the possibility of a one to one laptop program in the high school.

Also, we are also exploring several major additions/improvements to our physical plant: the possible purchase of an off-site central office, conversion to natural gas heating in the high school, and major roof repairs.

We have attempted to be conservative in our fiscal year 2009-10 budget in order to prepare for projected state revenue shortfall.

Questions regarding this report should be directed to the Superintendent (859) 441-3873 or by mail at 101 West Third Street, Silver Grove, KY, 41085.

**SILVER GROVE SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS AND RESOURCES</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,002,824	\$ (48,260)	\$ 954,564
Accounts receivable:			
Taxes - current	13,103	-	13,103
Intergovernmental - indirect federal	16,040	17,574	33,614
Intergovernmental - state	20,226	-	20,226
Tuition and fees	26,138	-	26,138
Other local revenue	4,553	-	4,553
Deferred charges - net	34,424	-	34,424
<b>Total current assets</b>	1,117,308	(30,686)	1,086,622
<b>Noncurrent assets</b>			
Capital assets	5,315,324	26,714	5,342,038
Less: accumulated depreciation	(2,529,460)	(17,534)	(2,546,994)
<b>Total noncurrent assets</b>	2,785,864	9,180	2,795,044
<b>Total assets and resources</b>	<u>\$ 3,903,172</u>	<u>\$ (21,506)</u>	<u>\$ 3,881,666</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 33,751	\$ 5,757	\$ 39,508
Deferred revenue	196,069	-	196,069
Current portion of bond obligations	60,000	-	60,000
Current portion of capitalized lease obligation	7,498	-	7,498
<b>Total current liabilities</b>	297,318	5,757	303,075
<b>Noncurrent liabilities</b>			
Noncurrent portion of bond obligations	1,105,000	-	1,105,000
Noncurrent portion of capitalized lease obligation	47,593	-	47,593
<b>Total noncurrent liabilities</b>	1,152,593	-	1,152,593
<b>Total liabilities</b>	1,449,911	5,757	1,455,668
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,565,773	9,180	1,574,953
Restricted for:			
Debt service	1,073	-	1,073
Accumulated unpaid sick leave benefits	3,956	-	3,956
Unrestricted	882,459	(36,443)	846,016
<b>Total net assets</b>	2,453,261	(27,263)	2,425,998
<b>Total liabilities and net assets</b>	<u>\$ 3,903,172</u>	<u>\$ (21,506)</u>	<u>\$ 3,881,666</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 1,717,776	\$ -	\$ 104,561	\$ -	\$ (1,613,215)
Support services:					
Student	119,377	-	1,002	-	(118,375)
Instruction staff	187,251	-	64,360	-	(122,891)
District administrative	325,847	-	-	-	(325,847)
School administrative	236,154	-	-	-	(236,154)
Business	-	-	-	-	-
Plant operation and maintenance	223,592	-	-	-	(223,592)
Student transportation	45,656	-	-	-	(45,656)
School lunchroom	11,989	-	-	-	(11,989)
Community service activities	41,975	-	13,798	-	(28,177)
Interest on long-term debt	55,615	-	-	-	(55,615)
Depreciation	207,483	-	-	-	(207,483)
Amortization	2,321	-	-	-	(2,321)
Interest on capitalized lease obligation	2,249	-	-	-	(2,249)
Net book value of scrapped assets	1,187	-	-	-	(1,187)
<b>Total governmental activities</b>	<b>3,178,472</b>	<b>-</b>	<b>183,721</b>	<b>-</b>	<b>(2,994,751)</b>
<b>Business-Type Activities</b>					
Food service	204,528	46,782	126,188	-	(31,558)
Vending	-	-	-	-	-
<b>Total business-type activities</b>	<b>204,528</b>	<b>46,782</b>	<b>126,188</b>	<b>-</b>	<b>(31,558)</b>
<b>Total primary government</b>	<b>\$ 3,383,000</b>	<b>\$ 46,782</b>	<b>\$ 309,909</b>	<b>\$ -</b>	<b>(3,026,309)</b>
<b>General Revenues:</b>					
Taxes:					
Property taxes		848,171		-	848,171
Motor vehicle taxes		54,740		-	54,740
Investment earnings		8,772		-	8,772
State and formula grants		1,249,336		-	1,249,336
Tuition and Fees		46,591		-	46,591
Miscellaneous		95,605		-	95,605
On behalf payments		436,756		-	436,756
Total general revenues		2,739,971		-	2,739,971
Change in net assets		(254,780)		(31,558)	(286,338)
Net assets - beginning of year		2,708,041		4,295	2,712,336
Net assets - end of year		\$ 2,453,261		\$ (27,263)	\$ 2,425,998

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 665,972	\$ 159,803	\$ 38,119	\$ 138,930	\$ 1,002,824
Accounts receivable:					
Taxes - current	13,103	-	-	-	13,103
Intergovernmental - state	-	20,226	-	-	20,226
Intergovernmental - federal	-	16,040	-	-	16,040
Tuition and fees	26,138	-	-	-	26,138
Other local revenues	4,553	-	-	-	4,553
<b>Total assets</b>	<u>\$ 709,766</u>	<u>\$ 196,069</u>	<u>\$ 38,119</u>	<u>\$ 138,930</u>	<u>\$ 1,082,884</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 33,751	\$ -	\$ -	\$ -	\$ 33,751
Deferred revenue	-	196,069	-	-	196,069
<b>Total liabilities</b>	33,751	196,069	-	-	229,820
<b>Fund balances</b>					
Reserved for:					
Debt service	-	-	-	1,073	1,073
Accumulated unpaid sick leave benefits	3,956	-	-	-	3,956
Unreserved:					
Undesignated, reported in:					
General fund	672,059	-	-	-	672,059
Capital projects funds	-	-	38,119	137,857	175,976
<b>Total fund balances</b>	<u>676,015</u>	<u>-</u>	<u>38,119</u>	<u>138,930</u>	<u>853,064</u>
<b>Total liabilities and fund balances</b>	<u>\$ 709,766</u>	<u>\$ 196,069</u>	<u>\$ 38,119</u>	<u>\$ 138,930</u>	<u>\$ 1,082,884</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

Total fund balance per fund financial statements	\$ 853,064
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	2,785,864
Certain long-term assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net assets.	34,424
Certain liabilities (such as bonds payable, capital lease obligations, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(1,220,091)</u>
Net assets for governmental activities	<u><u>\$ 2,453,261</u></u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
From local sources					
Taxes					
Property	\$ 799,064	\$ -	\$ -	\$ 49,107	\$ 848,171
Motor vehicle	54,740	-	-	-	54,740
Tuition and fees	46,591	-	-	-	46,591
Earnings on investments	7,357	-	310	1,105	8,772
Other local revenues	21,256	74,349	-	-	95,605
Intergovernmental - state	969,821	198,626	-	80,889	1,249,336
Intergovernmental - federal	-	183,721	-	-	183,721
On behalf payments	436,756	-	-	-	436,756
<b>Total revenues</b>	<b>2,335,585</b>	<b>456,696</b>	<b>310</b>	<b>131,101</b>	<b>2,923,692</b>
<b>EXPENDITURES</b>					
Instruction	1,510,201	222,639	-	-	1,732,840
Support services:					
Student	38,551	80,826	-	-	119,377
Instruction staff	80,757	106,494	-	-	187,251
District administrative	325,847	-	-	-	325,847
School administrative	236,154	-	-	-	236,154
Business	-	-	-	-	-
Plant operation and maintenance	214,818	-	-	8,774	223,592
Student transportation	53,306	-	-	-	53,306
School lunchroom	11,989	-	-	-	11,989
Facilities acquisition and construction	-	-	-	-	-
Community service activities	-	51,614	-	-	51,614
Debt service	-	-	-	110,615	110,615
Capitalized lease obligation	9,486	-	-	-	9,486
<b>Total expenditures</b>	<b>2,481,109</b>	<b>461,573</b>	<b>-</b>	<b>119,389</b>	<b>3,062,071</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(145,524)</b>	<b>(4,877)</b>	<b>310</b>	<b>11,712</b>	<b>(138,379)</b>
<b>Other financing sources (uses)</b>					
Operating transfers in	-	4,877	-	84,064	88,941
Operating transfers out	(4,877)	-	-	(84,064)	(88,941)
<b>Total other financing sources (uses)</b>	<b>(4,877)</b>	<b>4,877</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(150,401)</b>	<b>-</b>	<b>310</b>	<b>11,712</b>	<b>(138,379)</b>
<b>Fund balance, July 1, 2008</b>	<b>826,416</b>	<b>-</b>	<b>37,809</b>	<b>127,218</b>	<b>991,443</b>
<b>Fund balance, June 30, 2009</b>	<b>\$ 676,015</b>	<b>\$ -</b>	<b>\$ 38,119</b>	<b>\$ 138,930</b>	<b>\$ 853,064</b>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

Net change in total fund balances per fund financial statements	\$ (138,379)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation and amortization expense exceeds capital outlays for the year.	(177,451)
Net book value of scrapped assets	(1,187)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but, are reductions of liabilities in the statement of net assets.	55,000
Capitalized lease obligation	<u>7,237</u>
Change in net assets of governmental activities	<u><u>\$ (254,780)</u></u>

The accompanying notes are an integral part of the financial statements.



**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ (48,260)
Accounts receivable	<u>17,574</u>

**Total current assets** (30,686)

**Noncurrent assets**

Capital assets	26,714
Less: accumulated depreciation	<u>(17,534)</u>

**Total noncurrent assets** 9,180

**Total assets** \$ (21,506)

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable	<u>\$ 5,757</u>
------------------	-----------------

**Total current liabilities** 5,757

**Net assets**

Invested in capital assets, net of related debt	9,180
Unrestricted	<u>(36,443)</u>

**Total net assets** (27,263)

**Total liabilities and net assets** \$ (21,506)

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

**OPERATING REVENUES**

Lunchroom sales	\$ 28,098
Other income	2,843
On behalf payments	<u>15,841</u>
<b>Total operating revenues</b>	<b>46,782</b>

**OPERATING EXPENSES**

Salaries and wages	85,016
Materials and supplies	109,562
Other operating expenses	8,201
Depreciation	<u>1,749</u>
<b>Total operating expenses</b>	<b><u>204,528</u></b>

OPERATING INCOME (LOSS)	(157,746)
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**NON-OPERATING REVENUES**

Federal grants	124,513
State grant	<u>1,675</u>
<b>Total non-operating revenues</b>	<b><u>126,188</u></b>

Net income (Loss)	(31,558)
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<b>Net assets, July 1, 2008</b>	<b><u>4,295</u></b>
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<b>Net assets, June 30, 2009</b>	<b><u><u>\$ (27,263)</u></u></b>
----------------------------------	----------------------------------

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Lunchroom sales	\$ 28,098	
Other Income	<u>2,843</u>	
		\$ 30,941

**Expenses**

Salaries and Wages	69,175	
Materials and supplies	104,029	
Other operating expenses	<u>9,156</u>	
		<u>182,360</u>

**NET CASH USED IN OPERATING ACTIVITIES** (151,419)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Government grants	<u>112,894</u>
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**NET CASH PROVIDED BY FINANCING  
ACTIVITIES** 112,894

**DECREASE IN CASH** (38,525)

Cash at beginning of year (9,735)

**CASH AT END OF YEAR** \$ (48,260)

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (157,746)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation	1,749
Changes in operating assets and liabilities:	
Increase in trade accounts payable	<u>4,578</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b><u><u>\$ (151,419)</u></u></b>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 657,006	\$ 657,006	\$ 799,064	\$ 142,058
Motor vehicle	49,987	49,987	54,740	4,753
Tuition and fees	53,620	53,620	46,591	(7,029)
Earnings on investments	20,000	20,000	7,357	(12,643)
Other local revenues	-	-	21,256	21,256
Intergovernmental - state	898,974	898,974	969,821	70,847
On behalf payments	-	-	436,756	436,756
<b>Total revenues</b>	<b>1,679,587</b>	<b>1,679,587</b>	<b>2,335,585</b>	<b>655,998</b>
<b>EXPENDITURES</b>				
Instruction	1,306,775	1,306,775	1,510,201	203,426
Support services:				
Student	20,000	20,000	38,551	18,551
Instruction staff	74,254	74,254	80,757	6,503
District administrative	304,646	304,646	325,847	21,201
School administrative	198,913	198,913	236,154	37,241
Business	2,010	2,010	-	(2,010)
Plant operation and maintenance	202,443	202,443	214,818	12,375
Student transportation	30,525	30,525	53,306	22,781
School lunchroom	16,161	16,161	11,989	(4,172)
Contingency	327,274	327,274	-	(327,274)
Capitalized lease obligation	11,110	11,110	9,486	(1,624)
<b>Total expenditures</b>	<b>2,494,111</b>	<b>2,494,111</b>	<b>2,481,109</b>	<b>(13,002)</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(814,524)</b>	<b>(814,524)</b>	<b>(145,524)</b>	<b>669,000</b>
<b>Other financing sources (uses)</b>				
Operating transfers out	(4,808)	(4,808)	(4,877)	(69)
<b>Total other financing sources (uses)</b>	<b>(4,808)</b>	<b>(4,808)</b>	<b>(4,877)</b>	<b>(69)</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(819,332)</b>	<b>(819,332)</b>	<b>(150,401)</b>	<b>668,931</b>
<b>Fund balance, July 1, 2008</b>	<b>819,332</b>	<b>819,332</b>	<b>826,416</b>	<b>7,084</b>
<b>Fund balance, June 30, 2009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 676,015</b>	<b>\$ 676,015</b>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL REVENUE  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Intergovernmental - state	\$ 227,442	\$ 227,442	\$ 198,626	\$ (28,816)
Intergovernmental - federal	155,045	155,045	183,721	28,676
Other local revenues	<u>86,004</u>	<u>86,004</u>	<u>74,349</u>	<u>(11,655)</u>
<b>Total revenues</b>	468,491	468,491	456,696	(11,795)
<b>EXPENDITURES</b>				
Current				
Instruction	224,288	224,288	222,639	\$ (1,649)
Support services				
Student	131,725	131,725	80,826	(50,899)
Instructional staff	88,848	88,848	106,494	17,646
Community services	38,650	38,650	51,614	12,964
Student transportation	<u>25</u>	<u>25</u>	<u>-</u>	<u>(25)</u>
<b>Total expenditures</b>	<u>483,536</u>	<u>483,536</u>	<u>461,573</u>	<u>(21,963)</u>
<b>Excess (deficit) of revenues over expenditures</b>	(15,045)	(15,045)	(4,877)	10,168
<b>Other financing sources</b>				
Operating transfers in	<u>4,808</u>	<u>4,808</u>	<u>4,877</u>	<u>69</u>
<b>Total other financing sources</b>	<u>4,808</u>	<u>4,808</u>	<u>4,877</u>	<u>69</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	(10,237)	(10,237)	-	10,237
<b>Fund balance, July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30, 2009</b>	<u>\$ (10,237)</u>	<u>\$ (10,237)</u>	<u>\$ -</u>	<u>\$ 10,237</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CONSTRUCTION FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
From local sources:				
Earnings on investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310</u>	<u>\$ 310</u>
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>310</u>	<u>310</u>
<b>EXPENDITURES</b>				
Current				
Facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>310</u>	<u>310</u>
<b>Other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<u>-</u>	<u>-</u>	<u>310</u>	<u>310</u>
<b>Fund balance, July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>37,809</u>	<u>37,809</u>
<b>Fund balance, June 30, 2009</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 38,119</u></u>	<u><u>\$ 38,119</u></u>

The accompanying notes are an integral part of the financial statements.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
REPORTING ENTITY

The Silver Grove Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Silver Grove School District (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Silver Grove Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Silver Grove School District Finance Corporation - On September 14, 1992, The Silver Grove, Kentucky, Board of Education resolved to authorize the establishment of the Silver Grove School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Silver Grove Board of Education also comprise the Corporation's Board of Directors.



SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

Basis of Presentation

Government-wide Statements - The statement of net assets and the statement of activities display information about the financial activities of the overall District, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

The funds of the financial reporting entity are described below:

Governmental Fund Types

The *General Fund* is the primary operating fund of the District and is always classified as a major fund per GASB Statement No. 34. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan. (See reference to Program Review 96-DFIN-157).

The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.

The Construction Fund accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the district.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Funds (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of commodities from the USDA.

Fiduciary Fund Type (includes agency and trust funds)

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

Basis of Accounting (Continued)

Nonexchange transactions, in which the District received value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is not recognized until there is an enforceable legal claim. This legal claim does not arise until the taxes become delinquent, which is the fiscal year after the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grant and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

All business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and GAAP are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to susceptible to accrual (GAAP).

Differences between the budgetary accounting method and GAAP are not material.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided. An encumbrance at June 30, 2009, has been set up for accumulated unpaid sick leave benefits.

Cash and Cash Equivalents - The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. The Proprietary Fund inventory is recorded at the lower of cost, determined by first-in first-out ("FIFO") method, or market value.

Deferred Charges

Costs related to revenue bond issues are capitalized as deferred charges and amortized over the life of the bond issue.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Government Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

Accrued Liabilities and Long-Term Obligations (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that a portion of fund equity is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE B - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments".

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

NOTE B - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE  
(CONTINUED)

The government-wide financial statements split the District's program between business-type and governmental activities.

NOTE C - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the district's cash and cash equivalents was \$956,777 and the bank balance was \$1,021,988. Of the total cash balance, \$425,836 was covered by Federal depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the district's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

General Fund, cash and cash equivalents at June 30, 2009 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Fifth Third Bank of		
Northern Kentucky - Checking	\$ 846,152	\$494,406
Fifth Third Bank of		
Northern Kentucky - Checking	150,000	150,000
Fifth Third Bank of		
Northern Kentucky - Certificate of		
Deposit	<u>21,566</u>	<u>21,566</u>
	<u>\$1,017,718</u>	<u>\$665,972</u>

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease and bonded debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Fiscal Court of Campbell County and City of Silver Grove, Kentucky.



SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT (CONTINUED)

The original amount of the issue, the issue date and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
November 1, 1992	\$925,000	4.50% - 6.20%
May 1, 2005	\$1,325,000	2.70% - 4.90%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Campbell County Fiscal Court and the City of Silver Grove to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1992, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The tables below set forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2009 for debt service (principal and interest) are as follows:

1992 Issue:

<u>SILVER GROVE SCHOOL DISTRICT</u>			<u>KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION</u>		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009-2010	\$ 6,478	\$ 1,319	\$ 3,522	\$ 846	\$ 12,165
2010-2011	6,263	927	3,737	623	11,550

SILVER GROVE SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

SILVER GROVE SCHOOL DISTRICT			KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2011-2012	6,032	546	3,968	384	10,930
2012-2013	<u>5,786</u>	<u>179</u>	<u>4,214</u>	<u>131</u>	<u>10,310</u>
	<u>\$ 24,559</u>	<u>\$ 2,971</u>	<u>\$ 15,441</u>	<u>\$ 1,984</u>	<u>\$ 44,955</u>

2004 Issue:

SILVER GROVE SCHOOL DISTRICT			KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009-2010	\$ 38,531	\$ 40,602	\$ 11,469	\$ 10,618	\$ 101,220
2010-2011	38,118	39,214	11,882	10,206	99,420
2011-2012	42,643	37,690	12,357	9,730	102,420
2012-2013	42,149	35,984	12,851	9,236	100,220
2013-2024	<u>729,473</u>	<u>221,931</u>	<u>185,527</u>	<u>56,176</u>	<u>1,193,107</u>
	<u>\$ 890,914</u>	<u>\$ 375,421</u>	<u>\$ 234,086</u>	<u>\$ 95,966</u>	<u>\$1,596,387</u>

NOTE F - ACCUMULATED UNPAID SICK LEAVE BENEFITS

The district currently has a policy in place concerning accumulated unpaid sick leave benefits. The district will pay as unpaid sick leave benefits, an amount equal to 30% of the value of accumulated sick leave. At June 30, 2009 there is one certified employee with 27 or more years of experience.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2009, consisted of the following:  
 NONE

NOTE H - CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Totals
<b>Governmental Activities</b>				
Land	\$ 134,500	\$ -	\$ -	\$ 134,500
Land Improvements	8,800	-	-	8,800
Building and improvements	4,669,794	-	-	4,669,794
Technology equipment	285,777	24,703	11,134	299,346
Vehicles	142,567	7,650	44,612	105,605
General equipment	97,279	-	-	97,279
Totals at historical cost	5,338,717	32,353	55,746	5,315,324
Less: accumulated depreciation				
Land Improvements	1,210	440	-	1,650
Building and improvements	2,075,356	154,528	-	2,229,884
Technology equipment	173,920	40,193	9,947	204,166
Vehicles	79,587	8,383	44,612	43,358
General equipment	46,463	3,939	-	50,402
Total accumulated depreciation	2,376,536	207,483	54,559	2,529,460
Governmental Activities Capital Assets - Net	<u>\$ 2,962,181</u>	<u>\$ (175,130)</u>	<u>\$ 1,187</u>	<u>\$ 2,785,864</u>

	Balance July 1, 2008	Additions	Deductions	Totals
<b>Business-Type Activities</b>				
Technology equipment	\$ 2,085	\$ -	\$ -	\$ 2,085
General equipment	24,629	-	-	24,629
Totals at historical cost	26,714	-	-	26,714
Less: accumulated depreciation				
Technology equipment	1,623	185	-	1,808
General equipment	14,162	1,564	-	15,726
Total accumulated depreciation	15,785	1,749	-	17,534
Business-Type Activities Capital Assets - Net	<u>\$ 10,929</u>	<u>\$ (1,749)</u>	<u>\$ -</u>	<u>\$ 9,180</u>

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

NOTE I - COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2009, as follows:

Year ending June 30:	
2010	\$7,914
Later Years	<u>-0-</u>
Total Minimum Rentals	<u>\$7,914</u>

NOTE J - RETIREMENT PLANS

All certified employees are covered under the Kentucky Teachers Retirement System (KTRS). For employees hired before July 1, 2008, funding for the Plan is provided through payroll withholdings of 9.855% and State contributions of 13.105% of salaries. For employees hired after July 1, 2008, funding for the Plan is provided through payroll withholdings of 10.855%, and State contributions of 14.105% of salaries. The matching contributions are paid by the Federal program for any salaries paid by that program.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 13.50% of the employee's total compensation subject to contribution.

The District's total payroll for the year was \$1,894,513. The payroll for employees covered under KTRS was \$1,605,460 and for CERS was \$289,053.

The contribution requirement for CERS for the year ended June 30, 2009 was \$53,475 which consisted of \$39,022 from the District and \$14,453 from the employees.

The contribution requirement for KTRS for the year ended June 30, 2009 was \$371,098 which consisted of \$201,807 from the State of Kentucky, \$159,460 from the employees, and \$9,831 from federal programs.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

NOTE J - RETIREMENT PLANS, CONTINUED

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers.

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2009, comprehensive annual financial reports.

As the Board is only one of several employers participating in the Plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the Plan assets.

NOTE K - CONTINGENCIES

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

NOTE L - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Worker's compensation insurance.

NOTE M - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier.

The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund.

In addition, the District continues to carry commercial insurance for all other risks of loss, including the coverages listed on page 49 of the supplemental data. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

NOTE N - DEFICIT OPERATING/FUND BALANCES

The unrestricted net assets of the Food Service Fund have a deficit balance of (\$36,443) at June 30, 2009. The unrestricted net assets of the School Activity Funds have a deficit of (\$1,108) at June 30, 2009. The Food Service Fund had operations that resulted in a current year net loss of (\$31,558). The Seek Capital Outlay Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$10,601). The Debt Service Funds had operations that resulted in a current year deficit of receipts over disbursements of (\$83). The General Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$150,401).

NOTE O - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). The District has notified all terminated employees of available continuing insurance coverage as mandated by Cobra

NOTE P - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
FSPK Fund	Debt Service Fund	Bond & Interest Redemption	\$ 59,054
Seek Capital Outlay Fun	Debt Service Fund	Bond & Interest Redemption	\$ 25,010
General Fund	Special Revenue	Technology Matching Funds	\$ 4,877

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

NOTE Q - ANNUAL FINANCIAL REPORT DIFFERENCES

In its Annual Report - Financial required by the Kentucky Department of Education (the "Report"), the Board recorded the receipt of certain receivables and the payment of certain payables subsequent to year ended as cash receipts and disbursements for the year ended June 30, 2009. In the accompanying financial statements, these amounts are included in accounts receivable and accounts payable.

The following is a reconciliation of the June 30, 2009, fund balance reported by the board to the Kentucky Department of Education with that shown in the accompanying financial statements:

	General Fund	Special Revenue Funds
Fund Balance, as reported to the Department of Education	\$ 652,163	\$ -0-
Adjustments		
Increase in accounts receivable	4,687	-0-
Void Checks	10,758	-0-
Other	2,390	-0-
Interest Income	198	-0-
Increase in accounts payable	(2,517)	-0-
Decrease in sick leave benefits	<u>8,336</u>	<u>-0-</u>
 Fund Balance, as reported in the accompanying financial statements	 <u>\$ 676,015</u>	 <u>\$ -0-</u>
 Reserved for encumbrances	 \$ 3,956	 \$ -0-
Unreserved	<u>672,059</u>	<u>-0-</u>
	 <u>\$ 676,015</u>	 <u>\$ -0-</u>



SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

The following is a schedule of the changes in the components of the fund balance of the general fund during the fiscal year ended June 30, 2009:

	<u>Reserved for Encumbrances</u>	<u>Designated</u>	<u>Unreserved Undesignated</u>	<u>Total Fund Balance</u>
Balance at beginning of year	\$ 12,292	\$ -0-	\$ 814,124	\$ 826,416
Excess of revenues and other financing sources over expenditures and other financing uses	<u>(8,336)</u>	<u>-0-</u>	<u>(142,065)</u>	<u>(150,401)</u>
Balance at End of Year	<u>\$ 3,956</u>	<u>\$ -0-</u>	<u>\$ 672,059</u>	<u>\$ 676,015</u>

The following is a reconciliation of the cash balance as reported in the accompanying financial statements with that reported to the Kentucky Department of Education:

	<u>General Fund</u>	<u>Special Revenue</u>
Funds		
Cash Balance per Report to Kentucky Department of Education	\$ 644,289	\$ 159,803
Adjustments:		
Interest Income	197	-0-
Void Checks	10,758	-0-
Other	<u>10,728</u>	<u>-0-</u>
Cash Balance, as reported in the accompanying financial statements	<u>\$ 665,972</u>	<u>\$ 159,803</u>

SILVER GROVE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009

NOTE R - CAPITALIZED EQUIPMENT LEASE

The Board entered into a capitalized equipment lease agreement as of January 1, 2006 with the Kentucky Interlocal School Transportation Association (KISTA). The lease is for a new school bus. The lease expires in March, 2016. Depreciation of assets under capitalized leases is included in depreciation expense for 2009.

The following is the minimum lease obligation for the capitalized lease:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009-2010	\$ 7,498	\$ 2,011	\$ 9,509
2010-2011	7,758	1,758	9,516
2011-2012	8,019	1,486	9,505
2012-2016	<u>31,816</u>	<u>3,000</u>	<u>34,816</u>
	<u>\$ 55,091</u>	<u>\$ 8,255</u>	<u>\$ 63,346</u>

NOTE S - ON-BEHALF PAYMENTS

For the year ended June 30, 2009 total payments of \$452,597 were made for vocational education, life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. These revenues and expenditures are not budgeted by the District.

SILVER GROVE SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	FSPK FUND	SEEK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS AND RESOURCES:				
Cash and Cash equivalents	\$ 89,735	\$ 48,122	\$ 1,073	\$ 138,930
TOTAL ASSETS AND RESOURCES	<u>\$ 89,735</u>	<u>\$ 48,122</u>	<u>\$ 1,073</u>	<u>\$ 138,930</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES				
FUND BALANCES:				
UNRESERVED:				
For Capital Project Funds	89,735	48,122	-	137,857
RESERVED:				
For Debt Service	-	-	1,073	1,073
TOTAL FUND BALANCES	<u>89,735</u>	<u>48,122</u>	<u>1,073</u>	<u>138,930</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 89,735</u>	<u>\$ 48,122</u>	<u>\$ 1,073</u>	<u>\$ 138,930</u>

SILVER GROVE SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED JUNE 30, 2009

	FSPK FUND	SEEK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 49,107	\$ -	\$ -	\$ 49,107
Earnings on investments	595	503	7	1,105
Intergovernmental-State	31,748	22,680	26,461	80,889
TOTAL REVENUES	81,450	23,183	26,468	131,101
EXPENDITURES:				
Plant operation and maintenance	-	8,774	-	8,774
Debt Service	-	-	110,615	110,615
TOTAL EXPENDITURES	-	8,774	110,615	119,389
Excess (Deficit) of revenues over expenditures	81,450	14,409	(84,147)	11,712
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	84,064	84,064
Operating transfers out	(59,054)	(25,010)	-	(84,064)
TOTAL OTHER FINANCING SOURCES (USES):	(59,054)	(25,010)	84,064	-
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	22,396	(10,601)	(83)	11,712
Fund balance July 1, 2008	67,339	58,723	1,156	127,218
Fund balance June 30, 2009	<u>\$ 89,735</u>	<u>\$ 48,122</u>	<u>\$ 1,073</u>	<u>\$ 138,930</u>

**SILVER GROVE SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
ALL DEBT SERVICE FUNDS  
JUNE 30, 2009**

	<u>1979 Bond Issue</u>	<u>1992 Bond Issue</u>	<u>2004 Bond Issue</u>	<u>Total Debt Service Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 1,073</u>	<u>\$ -</u>	<u>\$ 1,073</u>
Total assets	<u><u>\$ -</u></u>	<u><u>\$ 1,073</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,073</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	-	-	-	-
<b>FUND BALANCES</b>				
Reserved for debt service	<u>-</u>	<u>1,073</u>	<u>-</u>	<u>1,073</u>
Total fund balances	<u>-</u>	<u>1,073</u>	<u>-</u>	<u>1,073</u>
Total liabilities and fund balances	<u><u>\$ -</u></u>	<u><u>\$ 1,073</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,073</u></u>

**SILVER GROVE SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>1979 Bond Issue</u>	<u>1992 Bond Issue</u>	<u>2004 Bond Issue</u>	<u>Total Debt Service Funds</u>
<b>REVENUES</b>				
Earnings on investments	\$ -	\$ 4	\$ 3	\$ 7
Intergovernmental - state	<u>-</u>	<u>4,374</u>	<u>22,087</u>	<u>26,461</u>
Total revenues	-	4,378	22,090	26,468
<b>EXPENDITURES</b>				
Current				
Bonds paid	-	10,000	45,000	55,000
Interest paid	<u>-</u>	<u>2,775</u>	<u>52,840</u>	<u>55,615</u>
Total expenditures	<u>-</u>	<u>12,775</u>	<u>97,840</u>	<u>110,615</u>
Excess (deficit) of revenues over expenditures	-	(8,397)	(75,750)	(84,147)
Other financing sources				
Operating transfers	<u>-</u>	<u>8,401</u>	<u>75,663</u>	<u>84,064</u>
Total other financing sources	<u>-</u>	<u>8,401</u>	<u>75,663</u>	<u>84,064</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	4	(87)	(83)
Fund balance, July 1, 2008	<u>-</u>	<u>1,069</u>	<u>87</u>	<u>1,156</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ 1,073</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,073</u></u>

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FSPK FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	FSPK Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
From local sources:			
Taxes:			
Property	\$ 45,450	\$ 49,107	\$ 3,657
Earnings on investments	-	595	595
Intergovernmental - state	37,262	31,748	(5,514)
Total revenues	82,712	81,450	(1,262)
<b>EXPENDITURES</b>			
Current			
Facilities acquisition and construction	26,976		(26,976)
Debt Service	58,954	-	(58,954)
Total expenditures	85,930	-	(85,930)
Excess (deficit) of revenues over expenditures	(3,218)	81,450	84,668
Other financing sources (uses)			
Operating transfers	-	(59,054)	(59,054)
Total other financing sources (uses)	-	(59,054)	(59,054)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(3,218)	22,396	25,614
Fund balance, July 1, 2008	3,218	67,339	64,121
Fund balance, June 30, 2009	\$ -	\$ 89,735	\$ 89,735

**SILVER GROVE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SEEK CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	SEEK Capital Outlay Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Intergovernmental - state	\$ 22,800	\$ 22,680	\$ (120)
Earnings on investments	-	503	503
Total revenues	22,800	23,183	383
<b>EXPENDITURES</b>			
Current			
Plant operation and maintenance	8,994	8,774	(220)
Debt Service	25,200	-	(25,200)
Total expenditures	34,194	8,774	(25,420)
Excess (deficit) of revenues over expenditures	(11,394)	14,409	25,803
Other financing sources (uses)			
Operating transfers	-	(25,010)	(25,010)
Total other financing sources (uses)	-	(25,010)	(25,010)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(11,394)	(10,601)	793
Fund balance, July 1, 2008	11,394	58,723	47,329
Fund balance, June 30, 2009	\$ -	\$ 48,122	\$ 48,122



SILVER GROVE SCHOOL DISTRICT  
SCHOOL ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2009

	CASH BALANCES JULY 1, 2008	RECEIPTS	DISBURSEMENTS	CASH BALANCES JUNE 30, 2009	ACCOUNTS RECEIVABLE JUNE 30, 2009	ACCOUNTS PAYABLE JUNE 30, 2009	FUND BALANCES JUNE 30, 2009
Senior Fund	\$ 1,347	\$ 2,649	\$ 4,330	\$ (334)	-	\$ 46	\$ (380)
Music Fund	1,834	461	1,393	902	-	-	902
Athletics Fund	(7,070)	13,436	10,015	(3,649)	-	-	(3,649)
Teachers Fund	1,137	3,489	4,559	67	-	-	67
Miscellaneous Fund	(25)	1,434	996	413	-	-	413
Annual Fund	144	1,769	1,958	(45)	-	-	(45)
Scholarship Fund	100	-	-	100	-	-	100
Athletic Boosters Fund	715	-	715	-	-	-	-
Class Fees Fund	194	-	-	194	-	-	194
National Honor Society	-	-	-	-	-	-	-
FHA	-	-	-	-	-	-	-
FBLA	-	480	745	(265)	-	-	(265)
Student Council	-	-	-	-	-	-	-
Elementary Athletics	382	1,418	1,800	-	-	-	-
Alumni Fund	2,388	5,902	7,702	588	-	-	588
NKOA	921	3,023	3,622	322	50	-	372
FEA	40	1,019	644	415	-	-	415
Pre-School	23	-	-	23	-	-	23
Incentive	1,272	4,183	4,878	577	415	-	992
Special Needs	590	400	573	417	-	-	417
Staff Incentive	557	498	838	217	-	153	64
Art	99	-	-	99	-	-	99
Chorus	22	-	-	22	-	-	22
Computer	355	-	-	355	-	-	355
Electronic Office	-	-	-	-	-	-	-
Global Issues	27	-	-	27	-	-	27
Keyboarding	-	-	-	-	-	-	-
Science - Forensic	13	-	-	13	-	-	13
Science - MS	153	-	-	153	-	-	153

SILVER GROVE SCHOOL DISTRICT  
SCHOOL ACTIVITY FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2009

	CASH BALANCES JULY 1, 2008	RECEIPTS	DISBURSEMENTS	CASH BALANCES JUNE 30, 2009	ACCOUNTS RECEIVABLE JUNE 30, 2009	ACCOUNTS PAYABLE JUNE 30, 2009	FUND BALANCES JUNE 30, 2009
Lowe's Grant	-	-	-	-	-	-	-
Field Trip	106	3,945	3,995	56	-	-	56
Other	(6,856)	14,808	8,834	(882)	-	-	(882)
Imagination Library	836	2,000	360	2,476	-	982	1,494
Freshman Class	92	-	-	92	-	-	92
Christmas Assistance	400	-	235	165	-	-	165
PTO	41	-	41	-	-	-	-
Sophomore Class	-	1,457	899	558	-	-	558
Volleyball	-	2,648	2,683	(35)	-	-	(35)
Golf	-	888	888	-	-	-	-
Girl's Basketball	-	3,704	3,537	167	-	42	125
Boy's Basketball	-	5,629	5,701	(72)	-	-	(72)
Girl's Softball	-	2,126	2,004	122	-	1,859	(1,737)
Boy's Baseball	-	3,738	4,082	(344)	-	704	(1,048)
Middle School	-	2,524	2,454	70	-	-	70
Spirit Week	-	1,497	2,268	(771)	-	-	(771)
TOTALS	\$ (163)	\$ 85,125	\$ 82,749	\$ 2,213	\$ 465	\$ 3,786	\$ (1,108)

SILVER GROVE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA NUMBER</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
Title I	84.010	335403103	\$ 68,933
Title IV	84.186	335404062	927
Special Education Cluster:			
Idea-B, Exceptional Children	84.027	335403373	91,020
Idea-P, Pre-School	84.173	335403433	7,607
			<u>98,627</u>
Title II-A, Teacher Quality	84.367	335404013	14,421
Title II-D, Education Technology	84.318	335404253	-0-
Title V	84.298		<u>813</u>
Total U.S. Department of Education			183,721
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N20052	77,801
School Breakfast Program	10.553	N20052	37,544
Summer Food Service Program for Children	10.559	N20052	9,168
Total U.S. Department of Agriculture/Child Nutrition Cluster			<u>124,513</u>
Total Federal Financial Assistance			<u>\$ 308,234</u>

Note: No non-cash assistance was received during the year.

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Silver Grove School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SILVER GROVE SCHOOL DISTRICT  
INSURANCE IN FORCE  
JUNE 30, 2009

Fire, Extended Coverage, Vandalism,  
and Malicious Mischief:  
Replacement Value

	<u>Amounts</u> <u>Building and Contents</u>	<u>Expiration</u> <u>Date</u>
High School, Junior High, Elementary, and Property in the Open	<u>\$8,873,934</u>	07/01/09

Liability on Driver's Training  
Vehicles, School Buses, and Other  
Vehicles

School Buses		
Combined Single Limit	\$2,000,000	07/01/09
Uninsured Motorist	500,000	07/01/09
Personal Injury	20,000	07/01/09
Ford Van		
Combined Single Limit	\$2,000,000	07/01/09
Uninsured Motorist	500,000	07/01/09
Personal Injury	20,000	07/01/09

Worker's Compensation

Kentucky School Boards Insurance Trust	Statutory	07/01/09
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Educators' Legal Liability

Board Members, Superintendent and All Other Employees	\$1,000,000 Each Occurrence \$1,000,000 Aggregate	07/01/09
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General Liability

Comprehensive General Liability		
All Employees:	\$1,000,000 Each Occurrence \$2,000,000 Aggregate	07/01/09

Fidelity Bond

Ohio Casualty Insurance Company, Treasurer's Bond from 07/01/06  
to 06/30/09, Danny Montgomery, Treasurer

Bonded	\$314,747
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SILVER GROVE SCHOOL DISTRICT  
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL  
JUNE 30, 2009

<u>BOARD MEMBERS</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Joe Pelle	5146 Mary Ingles HWY Silver Grove, Kentucky	December 31, 2010
David McClain	320 East Second Street Silver Grove, Kentucky	December 31, 2010
Melanie Pelle Chairperson	307 Route 8 Silver Grove, Kentucky	December 31, 2012
Tim Hurst Vice-Chairperson	326 East Second Street Silver Grove, Kentucky	December 31, 2012
Ruby Kane	209 East Second Street Silver Grove, Kentucky	December 31, 2010

ADMINISTRATIVE PERSONNEL

Danny Montgomery, Superintendent and Secretary/Treasurer to the Board.

SILVER GROVE SCHOOL DISTRICT  
GENERAL FUND-ACCOUNTS RECEIVABLE  
JUNE 30, 2009

Accounts receivable as reported  
in the District's annual  
financial report to the State  
Department of Education  
Division of Finance

\$ 39,107

Additional Accounts Receivable  
Recorded Subsequent to the  
Annual Financial Report:

State of Kentucky	\$ 330
Sale of bus	799
KSBA	<u>3,558</u>

Total Additions

4,687

Total General Fund - Accounts Receivable

\$ 43,794

SILVER GROVE SCHOOL DISTRICT  
GENERAL FUND-ACCOUNTS PAYABLE  
JUNE 30, 2009

Accounts payable as reported in the  
District's annual financial report  
to the State Department of Education  
Division of Finance \$ 31,234

Additional Accounts Payable Recorded  
Subsequent to the Annual Financial  
Report:

Giles Hertz	\$ 3,220
Ikon	21
Orkin	201
Wolnitzek & Rowerkamp	2,783
D. Bledsoe	324
Lowe's	737
Fifth Third Bank	<u>21</u>

Total Additions 7,307

Accounts Payable Deleted from  
Annual Financial Report:

KSBA	2,900
Scholastic Insurance	<u>1,890</u>

Total Deletions (4,790)

Total General Fund - Accounts Payable \$ 33,751

SILVER GROVE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Silver Grove School District.
2. No significant deficiencies or material weaknesses relating to the audit of the general purpose financial statements are reported.
3. No instances of noncompliance material to the general purpose financial statements of Silver Grove School District which would be required to be reported in accordance with *Governmental Auditing Standards* were noted during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of federal award programs are reported.
5. The auditor's report on compliance for federal award programs for Silver Grove School District expresses an unqualified opinion on all federal programs.
6. The audit disclosed no audit findings that the auditor is required to report under 510(a) of Circular A-133.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Silver Grove School District qualified as a low-risk auditee.
9. The Program tested as major program was the Child Nutrition Cluster, CFDA Numbers 10.555, 10.553, and 10.559.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS AUDIT**

None.



# Michael Kadetz

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Silver Grove School District  
Silver Grove, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of The Silver Grove School District, as of and for the year ended June 30, 2009, and have issued my report thereon dated October 23, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Audit Requirements*, *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract - Electronic Submission*.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Silver Grove School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Silver Grove School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of The Silver Grove School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects The Silver Grove School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such

that there is more than a remote likelihood that a misstatement of The Silver Grove School District's financial statements that is more than inconsequential will not be prevented or detected by The Silver Grove School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by The Silver Grove School District's internal control.

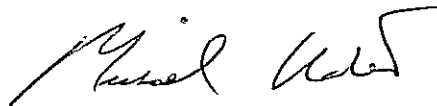
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Silver Grove School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. In addition, the results of my tests disclosed no instances of noncompliance of specific state statutes or regulation identified in Appendix II of the Independent Auditor's Contract - State Audit Requirements.

I noted certain matters that I reported to management of The Silver Grove School District, in a separate letter dated October 23, 2009.

This report is intended for the information of management, the Kentucky Department of Education, the Kentucky State Committee for School District Audits, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cincinnati, Ohio  
October 23, 2009

# Michael Kadetz

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REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Silver Grove School District  
Silver Grove, Kentucky

## Compliance

I have audited the compliance of The Silver Grove School District, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The Silver Grove School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of The Silver Grove School District's management. My responsibility is to express an opinion on The Silver Grove School District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Audit Requirements*, *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Silver Grove School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of The Silver Grove School District's compliance with those requirements.

In my opinion, The Silver Grove School District, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009. The results of my auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

#### Internal Control Over Compliance

The management of The Silver Grove School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered The Silver Grove School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of The Silver Grove School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Kentucky State Committee for School District Audits and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cincinnati, Ohio  
October 23, 2009

SILVER GROVE SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009

There were no audit findings for the year ended June 30, 2008.

# Michael Kadetz

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Members of the Board of Education  
Silver Grove School District  
Silver Grove, Kentucky

In planning and performing my audit of the financial statements of the Silver Grove School District for the year ended June 30, 2009, I considered the district's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. A separate report dated October 23, 2009 contains my report on significant deficiencies and material weaknesses in the district's internal control structure. This letter does not affect my report dated October 23, 2009, on the financial statements of the Silver Grove School District.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various district personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Cincinnati, Ohio  
October 23, 2009

SILVER GROVE SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2009

As in prior years, bank reconciliations were not performed on a timely basis during the year. Reconciliations must be prepared each month; preferably by someone who has no everyday contact with cash receipts or cash disbursements. Reconciling items must be reviewed and the general ledger adjusted if necessary. Outstanding checks should also be reviewed on a regular basis and voided and written off if necessary. The bank reconciliation must agree with the monthly AFR.

At year-end, District personnel need to improve in reviewing for subsequent receipts and disbursements for accounts receivable and accounts payable. Several items, though not material to the financial statements were not recorded by the District.

It was noted during payroll tests for December, 2008 that federal taxes withheld on the books did not match amounts deducted on the bank statement. Personnel could not account for the differences. All payroll items need to be closely monitored and any differences need to be investigated immediately.

Several times during the year I noted that invoices had been paid twice. Cash disbursements is a critical area that must also be closely monitored. Payments should only be made on invoices; never from customer statements. It also appears that the district never asked for refunds for these duplicate payments.

The District needs to maintain its payroll files in a more orderly manner. I requested several items relating to payroll, such as 941's, Kentucky Retirement Reports, and CERS Reports. The District had difficulty locating these reports. Reports should be filed in a manner whereby personnel can locate them easily.

It should be noted that the District improved in several other areas that were noted last year. Capital assets were properly added to the Governmental Fixed Asset listing. District personnel were also much better this year at preparing various reports and schedules that I requested.